

NCA  
VOC FOR IOP/FN  
POLITICAL FEATURE NO. 1-1099  
JOHN AULICINO/NEW YORK

JULY 14, 1976

MULTINATIONS AND CORPORATE ETHICS: VIEW FROM INSIDE  
(SECOND OF FOUR-PART SERIES)

(VOICED VERSION IN TAPE LIBRARY)

ANNCR:

RECENT INVESTIGATIONS HAVE PRODUCED EVIDENCE THAT SOME OF THE WORLD'S GIANT CORPORATIONS -- THE SO-CALLED "MULTI-NATIONALS" -- HAVE ENGAGED IN UNETHICAL AND EVEN ILLEGAL BUSINESS PRACTICES. THESE REVELATIONS HAVE LEAD TO CRITICISM OF THE WHOLE FABRIC OF MULTINATIONAL BUSINESS VENTURES. FROM NEW YORK, VOA'S JOHN AULICINO, IN THIS (THE SECOND OF FOUR) REPORT(S), LOOKS AT THE VIEWS OF SEVERAL AMERICAN BUSINESS EXECUTIVES ON AN ETHICAL CODE OF CONDUCT FOR THE MULTINATIONALS.  
VOICE:

AMERICAN CORPORATIONS ARE TAKING A HARD LOOK AT THEMSELVES -- AT HOW THEY DO BUSINESS AT HOME AND ABROAD. THERE'S BEEN A PUBLIC CLAMOR OVER DISCLOSURES OF IMPROPER PAYMENTS MADE BY SOME COMPANIES, AND THERE'S A FEELING AMONG CORPORATION EXECUTIVES THAT IF THEY DON'T CLEAN THEIR OWN HOUSE, CONGRESS MAY DO THE JOB FOR THEM.

RECENTLY, MORE THAN FOUR HUNDRED CORPORATION OFFICERS MET IN NEW YORK TO DISCUSS WAYS OF PREVENTING ILLEGAL PAYMENTS. THERE SEEMED TO BE UNIVERSAL AGREEMENT ON TWO POINTS -- THAT ILLEGAL PAYMENTS SHOULD NOT BE MADE -- AND THAT THE BEST PREVENTIVE WAS FULL DISCLOSURE WITHIN A COMPANY OF HOW THE COMPANY'S MONEY WAS BEING SPENT. AS ONE SPEAKER PUT IT, "SUNLIGHT IS THE BEST ANTISEPTIC."

BUT ON MOST QUESTIONS, THERE WAS A CONSIDERABLE SPREAD OF OPINION. FOR INSTANCE -- SHOULD AMERICAN MULTINATIONAL CORPORATIONS MAKE POLITICAL CONTRIBUTIONS ABROAD WHERE THEY ARE LAWFUL WHEN SUCH CONTRIBUTIONS ARE PROHIBITED IN THE UNITED STATES? JOHN J. MCCLOY, FORMER PRESIDENT OF THE WORLD BANK AND ON THE BOARD OF A NUMBER OF CORPORATIONS SEES IT THIS WAY:

TAPE: CUT ONE -- MCCLOY

"I WOULD NOT ADVOCATE LEGISLATION WHICH WOULD PRECLUDE A CORPORATION OPERATING OVERSEAS FROM MAKING A POLITICAL CONTRIBUTION IF IT WISHED TO DO SO AND IF IT WERE IN COMPLIANCE WITH THE LAW AND IN CONFORMANCE WITH THE CUSTOM OF THE HOST COUNTRY."

VOICE:

BUT MICHAEL BLUMENTHAL, CHAIRMAN AND PRESIDENT OF BENDIX CORPORATION SAYS IT'S UNWISE FOR AN AMERICAN CORPORATION OPERATING IN A FOREIGN ENVIRONMENT TO MAKE POLITICAL CONTRIBUTIONS:

TAPE: CUT TWO -- BLUMENTHAL

"I ASK YOU TO CONSIDER HOW THE REACTION IN THIS COUNTRY WOULD BE EVEN IF IT WERE LEGAL IF COMPANIES OWNED BY FOREIGN INTERESTS MADE POLITICAL CONTRIBUTIONS TO PARTICULAR CANDIDATES OR PARTIES. EVEN IF THEY WERE LEGAL IT WOULD GIVE RISE TO CONSIDERABLE QUESTION AND POLITICAL DEBATE. FOREIGN PEOPLE FREQUENTLY WILL UNDER CERTAIN CIRCUMSTANCES LOOK UPON OUR DOING IT IN THEIR COUNTRY EVEN IF IT MAY BE LEGAL IN THE SAME WAY."

VOICE:

MR. MCCLOY THOUGHT IT IMPORTANT TO DISTINGUISH BETWEEN TWO TYPES OF PAYMENT ABROAD -- THE BRIBING OF AN OFFICIAL WHO CAN AUTHORIZE THE PURCHASE OF A CERTAIN TYPE OF AIRPLANE -- AND THE PAYING OF PETTY GRAFT WHICH HE CALLS LUBRICATION OF THE BUREAUCRACY. HE SAYS THE PAYMENT OF MINOR GRATUITIES IS NECESSARY TO KEEP UP WITH ONE'S COMPETITORS.

TAPE: CUT THREE -- MCCLOY

"SUBJECT TO THE ADVICE OF LOCAL COUNSEL I WOULD SEE NO DIFFICULTY IN SETTING UP SUCH PAYMENTS ON THE CORPORATE BOOKS FOR THIS TYPE OF LUBRICATION -- ITEM, SUCH AS, QUOTE, COST OF GRATUITIES PAID TO EXPEDITE ROUTINE GOVERNMENT PROCESSES OR PAPERWORK."

VOICE:

BUT MR. BLUMENTHAL SAID HIS COMPANY WOULD NOT COUNTENANCE SUCH PAYMENTS ABROAD:

TAPE: CUT FOUR -- BLUMENTHAL

"WE WILL NOT DO IN ROME AS THE ROMANS DO. WE WILL NOT TAKE BUSINESS IF IT IS AT THE COST OF ENGAGING IN PRACTICES THAT WE AS INDIVIDUALS WOULD NOT ENGAGE IN OUR PRIVATE LIVES. SO IT IS NOT A QUESTION OF ILLEGALITY. IT IS A QUESTION OF MORALITY, OF ETHICS, OF WHAT IS PROPER. I CANNOT TELL YOU HOW TO DEAL WITH ILLEGAL AND UNETHICAL PRACTICES IN FOREIGN COUNTRIES, BUT I AM LEFT EXCEEDINGLY COLD BY THE ARGUMENT THAT SINCE OUR FOREIGN FRIENDS ENGAGE IN SUCH PRACTICES IT IS ONLY PROPER WE DO THE SAME. IF WE HAVE TO COMPETE ON THAT BASIS WE SIMPLY CANNOT BE IN THAT KIND OF BUSINESS."

ANNCR:

THERE WAS A CONSENSUS AMONG THE EXECUTIVES THAT A NUMBER OF THE FINANCIAL PRACTICES AMERICANS CONSIDER IMPROPER ARE VIEWED DIFFERENTLY ABROAD. A MANAGER OF AN ACCOUNTING FIRM WAS ASKED, IF THIS IS SO, HOW CAN THAT MANAGER DEPEND ON HIS FOREIGN OFFICE PERSONNEL TO ADHERE TO AMERICAN STANDARDS. RUSSELL PALMER, OF TOUCHE ROSS, INTERNATIONAL SAID THIS QUESTION HAD BEEN MET AT A RECENT MEETING OF HIS COMPANY WHICH BROUGHT TOGETHER THE MANAGING PARTNERS FROM VARIOUS COUNTRIES.

(OPT)TAPE: CUT FIVE -- PALMER

"OBVIOUSLY MANY OF THE HEADS OF THOSE FIRMS ARE FOREIGN NATIONALS AND THEY DON'T UNDERSTAND WHY, AS THEY PERCEIVE IT, THE UNITED STATES IS PRESCRIBING THE MORAL AND BUSINESS CODE FOR THE WORLD." (END OPT)

ANNCR:

MR. PALMER SAYS HE EXPLAINED TO HIS FOREIGN COLLEAGUES THAT AMERICANS HAVE BECOME VERY SENSITIVE TO THE MORAL STANDARDS

OF CORPORATIONS AND THAT SINCE THEIR FIRM DID HALF ITS BUSINESS IN THE UNITED STATES, IT COULD NOT RISK DOMESTIC DISAPPROVAL. HE SAID FROM A BUSINESS STANDPOINT, THIS MADE SENSE TO THEM. A GOOD NUMBER OF THE COMPANIES REPRESENTED AT THE CONFERENCE ALREADY HAVE AN ETHICAL CODE OF CONDUCT. THE DAY'S DISCUSSION WAS A SAMPLE OF THE IDEAS REFLECTED IN THEM. AND MR. BLUMENTHAL URGED, NOT FOR THE FIRST TIME, THE CREATION OF A NATIONAL CORPORATE ETHICS BOARD. EXECUTIVES OF COMPANIES WHO SUBSCRIBE TO A COMMON SET OF GENERAL PRINCIPLES WOULD WORK OUT MINIMUM NORMS OF ETHICAL CONDUCT. HE SUMMED UP THE LARGER VIEW OF WHY BUSINESS IS SEARCHING ITS CORPORATE SOUL:

TAPE: CUT SIX -- BLUMENTHAL

"I THINK WHAT IS INVOLVED HERE IS A FAILURE TO RECOGNIZE THAT CORPORATE MANAGEMENT IN THE MID-SEVENTIES AND BEYOND FACES A NEW KIND OF ACCOUNTABILITY -- THAT GOES BEYOND MAXIMIZING THE PROFIT -- AN ACCOUNTABILITY TO THE SOCIETY, TO THE PUBLIC, TO THE GOVERNMENT AND, FOR THOSE OF US WHO OPERATE IN MORE THAN ONE COUNTRY, TO THE LARGER AUDIENCE BEYOND ANY ONE NATIONAL BOUNDARY."

ANNCR:

WILL CORPORATIONS SUCCEED IN ASSUMING WHAT SOME SEE AS THEIR FULL SOCIAL RESPONSIBILITIES? MORE THAN A FEW OF THEIR EXECUTIVES SEE THE FUTURE OF FREE ENTERPRISE HANGING ON THE ANSWER.

WE'VE BEEN LOOKING AT THE VIEWS OF AMERICAN BUSINESS EXECUTIVES ON AN ETHICAL CODE OF CONDUCT FOR MULTINATIONALS. (OPT) OUR NEXT REPORT EXAMINES INTERNATIONAL EFFORTS TO ESTABLISH GUIDELINES FOR THEIR OPERATIONS. (END OPT)

JS/PY